

**ABSTRACT OF THE DISCLOSURE**

The invention is directed toward a formable bone composition for application to a bone defect site to promote new bone growth at the site which comprises a new bone growth inducing compound of demineralized lyophilized allograft bone particles.. The particle size ranges from about 0.1 mm to about 1.0cm and is mixed in a hydrogel carrier containing a sodium phosphate saline buffer, the hydrogel component of the carrier ranging from about 1.0 to 5.0% of the composition and a pH between 6.8 - 7.4 with one or more additives of a cellular material, growth factor, demineralized bone chips or mineralized bone chips.